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SUBJECT: LABOR TO RETAIN POWER IN SOUTH AUSTRALIA

Classified By: CDA Daniel A. Clune for reasons 1.4 (b) and (d)

SUBJECT: LABOR TO RETAIN POWER IN SOUTH AUSTRALIA

11. (C/NF) SUMMARY: ALP insiders we have spoken with recently tell us that the South Australian ALP (Australian Labor Party) government is on track for a comfortable election win in March 2010. A big factor in this is deep infighting in the South Australian Liberal party. In contrast, factional powerbrokers in the South Australian ALP are working well together. The economy is still performing well and the ALP is confident that its plans to address the state's water shortage - a big issue - have public support. END SUMMARY.

RANN TO WIN  
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12. (C/NF) During a series of meetings with Poloff on July 6 and 7, ALP insiders were extremely confident the ALP, led by Premier Mike Rann, will retain government in South Australia (SA) in the March 20, 2010 election (South Australia has fixed four year terms). Although Rann, from the ALP's more conservative "right" faction, has been the party's leader since 1994 and Premier since 2002, he does not have the same problems as other long-serving ALP state governments. Unlike the New South Wales (NSW) government, for example, his government is not widely viewed as incompetent and his party is united. The two most powerful powerbrokers - Mark Butler, MP from the left, and Senator Don Farrell from the right - work productively together in dividing the spoils and minimizing tensions. Jay Weatherill - A Rann government minister touted as Rann's successor - told Poloff it would be "impossible" for the Liberal party to win.

WATER A BIG ISSUE  
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13. (C/NF) Weatherill remarked that the state's water shortage, a long-standing issue, will factor largely in the campaign. However, he pointed out that the government has released a comprehensive plan to address this (which includes construction of desalination plant) and that the Opposition has yet to offer a viable alternative. (Comment: While Weatherill talked up the SA government's water policy, the desalination plant will not start producing water until after the election - December 2010 at the earliest. In addition, tensions persist over bipartisan rights to the Murray-Darling river. End comment.)

14. (C/NF) Weatherill, and other ALP insiders, contended that the South Australian economy continues to perform well thanks to the mining and defense sectors. Mining giant BHP Billiton executives told us, however, that the expansion of SA's Olympic Dam mine - the largest Uranium deposit in the world - has been put on hold due to slowing in the global commodities market. In addition, while the state has a dedicated arm

within its government (Defense SA) tasked with expanding the defense sector, the goal of making South Australia the country's defense hub is still a long way off.

#### LIBERALS DIVIDED

15. (C/NF) There is a unanimous view that a big factor in the Rann government's dominance is disunity within the Liberal party opposition. Factional warfare, a constant in the SA's Liberal party over the last 30 years, has intensified recently over the leadership of Martin Hamilton-Smith who resigned last week when his leadership became untenable. (Note: Documents on which he based corruption allegations against the government were revealed to be forgeries. End note.) He was succeeded by the little-known Isobel Redmond (Note: He was succeeded by the little-known Isobel Redmond on July 8. Federal Liberal MP Nick Minchin (a Howard government Cabinet Minister and Liberal party powerbroker) lamented the political inexperience of state Liberal MPs. He stated that the 22 state Liberal MPs are undisciplined and act as "free agents". Butler told Poloff that Redmond's elevation means that Rann has to "recalibrate" his election strategy since he will run against a female candidate which has been unprecedented.

#### WHO WILL SUCCEED RANN?

16. (C/NF) Weatherill anticipates Rann will resign as Premier after the 2010 election. Butler (recently promoted to the Rudd government federal ministry) confided that Weatherill, who is from the left and is a media favorite, is the front-runner to succeed Rann, but is too cautious and has yet

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to secure the support of the party room. Farrell said Deputy Premier and Treasurer Kevin Foley would be the right's logical successor however some observers believe he will leave politics after the next election. Earlier in the year, an Adelaide political science academic told us that Rann government Minister Michael O'Brien, from the right, was a "dark horse" in the leadership succession stakes. Unlike most ALP MPs, O'Brien has a business background. Interestingly, O'Brien has a "hunch" that Rann - who is on good terms with Prime Minister Rudd - may be offered the Ambassadorship to Italy. Rann has reportedly bought a home in Italy and is learning Italian.

#### IT'S LABOR'S TO LOSE

17. (C/NF) COMMENT: Labor appears well-positioned to win the next election, and has learned the lessons of last year's election in Western Australia, when a long-serving ALP government was surprisingly defeated by a less than first-rate Opposition. However, Redmond may be able to reinvigorate the opposition. While not as polished as Rann, she appears to be a 'straight shooter', which may appeal to voters. An issue the ALP needs to handle carefully during the election campaign will be the future of Rann - the Liberals will almost certainly ask whether Rann will commit to a full-term if he wins the election. A danger for Rann is that voters, resigned to an ALP victory, believe it is safe to cast a "protest vote." END COMMENT.